

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 NSC-05
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E.O. 11652: N/A
TAGS: EGEN, PK
SUBJECT: GENERAL ZIA HOLDS A LONG MEETING ON ECONOMIC POLICY

1. OCTOBER 18, CHIEF MARTIAL LAW ADMINISTRATOR ZIA HELD A SEVEN HOUR MEETING WITH THE FEDERAL SECRETARIES AND OTHER SENIOR CIVIL SERVANTS WHICH FOCUSED ON ECONOMIC POLICY AND ORGANIZATION. THE MEETING INDICATES A REALIZATION BY THE MARTIAL LAW ADMINISTRATION (MLA) THAT IT IS GOING TO BE IN POWER LONGER THAN IT ORIGINALLY ANTICIPATED AND GROWING AWARENESS OF THE URGENT NEED TO TAKE CONTROL OF THE FOUNDERING ECONOMY.

2. THE MOST NOTABLE DECISION WAS TO DELIMIT THE AREAS OPEN TO PRIVATE INVESTMENT AND THOSE WHICH ARE RESERVED FOR THE PUBLIC SECTOR. THIS FUNDAMENTAL DECISION HAD EARLIER LIMITED OFFICIAL USE

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BEEN CHARACTERIZED BY SECRETARY IN CHIEF GHULAM ISHAQ KHAN AS A POLITICAL ONE TO BE LEFT FOR AN ELECTED GOVERNMENT. THE DECISION IS TO BE IMPLEMENTED BY A NEW REWRITE OF THE NEVER RELEASED FIFTH PLAN PLANNING DOCUMENTS.

3. TO A LARGE EXTENT, THIS FIRST-OF-A-KIND MEETING WAS LARGELY A TOUR D'HORIZON OF ECONOMIC PROBLEMS AND

WAYS TO DEAL WITH THEM, AND RE-PLOUGHED A LOT OF OLD GROUND. IT WAS AGREED, FOR EXAMPLE, THAT FURTHER STEPS MUST BE TAKEN TO REDUCE INEFFICIENCY AND REDUNDANCY IN THE CIVIL SERVICE, ALTHOUGH THIS SHOULD BE DONE IN A HUMANE WAY WITHOUT LARGE SCALE DISMISSALS. IT ALSO INCLUDED A LONG DISCUSSION ON LABOR, MANPOWER AND WAGE QUESTIONS WHICH ENDED BY PUTTING OFF A DECISION ON HOW THE PROBLEMS MIGHT BE DEALT WITH UNTIL A LABOR CONFERENCE CAN BE HELD LATER THIS YEAR.

4. DISCUSSION OF HOW TO DEAL WITH THE NEED TO INCREASE EXPORT EARNINGS WAS SIMILARLY MORALISTIC AND LARGELY INCONCLUSIVE. ZIA DID, HOWEVER, COME DOWN HARD ON THE NEED TO HONOR EXPORT CONTRACTS, SOMETHING NOT DONE DURING LAST YEAR'S COTTON PRICE RISE. HE ALSO RESISTED EXPORT CONTROLS OVER FRESH VEGETABLES AND POULTRY, EVEN THOUGH THIS WILL BE UNPOPULAR WITH URBAN CONSUMERS. (THE PREVIOUS GOVERNMENT USUALLY DID NOT RESIST SUCH PRESSURES.)

5. HIGH LEVEL GOP SOURCES HAVE TOLD US THAT INFLATION WAS A MAJOR TOPIC OF DISCUSSION. THE CMLA ASKED THE SECRETARIES TO FIND OTHER WAYS TO CUT SPENDING, IN ADDITION TO THE FIVE PERCENT CUT IMPOSED AT THE START OF THE FISCAL YEAR. NEW CUTS WILL PROBABLY INTENSIFY THE EXISTING GOP FREEZE ON NEW GOVERNMENT HIRING. ALTHOUGH THERE IS NO CLEAR IMPACT ON DEVELOPMENT ACTIVITIES EVIDENT LIMITED OFFICIAL USE

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AS YET, IT SEEMS PROBABLE THAT SOME GOOD PROJECTS AND PROGRAMS WILL BE HURT.

6. WE EXPECT THAT THIS MEETING, AS A WELL PUBLICIZED ATTEMPT BY THE MARTIAL LAW ADMINISTRATION TO GRASP THE REINS OF THE ECONOMY MORE FIRMLY, AND THE WHOLE SERIES OF SMALL ECONOMIC MEASURES BEING TAKEN WILL BE CITED BY THE GOP AT THE DECEMBER CONSORTIUM MEETING AS INDICATING THAT PAKISTAN IS PUTTING ITS ECONOMIC HOUSE IN ORDER. HUMMEL

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